



FACT SHEET

March 2007

Export Credit Guarantee Program

The U.S. Department of Agriculture's Export Credit Guarantee Program (GSM-102) helps ensure that credit is available to finance commercial exports of U.S. agricultural products, while providing competitive credit terms to buyers. By reducing financial risk to lenders, credit guarantees encourage exports to buyers in countries—mainly developing countries—where credit is necessary to maintain or increase U.S. sales, but where financing may not be available without such guarantees.

The GSM-102 program underwrites credit extended by the private banking sector in the United States (or, less commonly, by the U.S. exporter) to approved foreign banks using dollar-denominated, irrevocable letters of credit for purchases of U.S. food and agricultural products by foreign buyers. USDA's Foreign Agricultural Service (FAS) administers the program on behalf of the Commodity Credit Corporation (CCC), which issues the credit guarantees. GSM-102 covers credit terms of up to three years.

The CCC guarantees payments due from approved foreign banks to exporters or financial institutions in the United States. However, the financing must be obtained through normal commercial sources. Typically, 98 percent of principal and a portion of interest are covered by a guarantee. Because

payment is guaranteed, financial institutions in the United States can offer competitive credit terms to the foreign banks, usually with interest rates based on the London Inter-Bank Offered Rate, or LIBOR. Any follow-on credit arrangements between the foreign bank and the importer are negotiated separately and are not covered by the CCC guarantee. Program announcements issued by FAS provide information on specific country and commodity allocations, length of credit periods, and other program information and requirements.

Eligible Countries or Regions

Interested parties, including U.S. exporters, foreign buyers, and banks, may request that the CCC establish a GSM-102 program for a country or region. Prior to announcing the availability of guarantees, the CCC evaluates the ability of each country and foreign bank to service CCC-guaranteed debt. New banks may be added or levels of approval for others increased or decreased as information becomes available.

Eligible Commodities

The CCC selects agricultural commodities and products according to market potential and eligibility based on applicable legislative and regulatory requirements.

Participation

The CCC must qualify exporters for participation before accepting guarantee applications. An exporter must have a business

office in the United States and must not be debarred or suspended any U.S. government program. Financial institutions must meet established criteria and be approved by the CCC. The CCC sets limits and advises each approved foreign bank on the maximum amount the CCC can guarantee for that bank.

The exporter negotiates terms of the export credit sale with the importer. The exporter usually wishes to be paid at the time of shipment, so the exporter must work closely during negotiations with the eligible U.S. financial institution to ensure that arrangements are firmly in place for the U.S. financial institution to pay the exporter and to extend credit to the foreign bank.

Once a firm sale exists, the qualified U.S. exporter must apply for a payment guarantee before the export date. The exporter pays a fee calculated on the dollar amount guaranteed, based on a rate schedule.

Fee rates are based on the country risk that the CCC is undertaking, as well as the repayment term (tenor) and repayment frequency (annual or semi-annual) under the guarantee. The new structure is in response to rulings by the World Trade Organization (WTO) that export credit programs must be risk based and that fees must cover long-term program operating costs and losses.

Financing

The CCC-approved foreign bank issues a dollar-denominated, irrevocable letter of credit in favor of the U.S. exporter, ordinarily advised or confirmed by the financial institution in the United States agreeing to extend credit to the foreign bank. The U.S. exporter may negotiate an arrangement to be paid as exports occur by assigning to the U.S. financial institution the right to proceeds that may become payable under the CCC's guarantee. Under this arrangement, the exporter would also provide

transaction-related documents required by the financial institution, including a copy of the export report, which must also be submitted to the CCC.

Defaults/Claims

If the foreign bank fails to make any payment as agreed under the GSM-102 guarantee, the exporter or assignee must submit a notice of default to the CCC. A claim for loss also may be filed, and the CCC will promptly pay claims found to be in good order.

For CCC audit purposes, the U.S. exporter must obtain documentation to show that the commodity arrived in the eligible country, and must maintain all transaction documents for five years from the date of completion of all payments.

Additional Information

For more information, contact: Director, Credit Programs Division, Office of Trade programs, FAS/USDA, Stop 1025, 1400 Independence Ave. SW, Washington, DC 20250-1035; tel.: (202) 720-6211; fax: (202) 720-2495. For program participation, contact: Operations Division, Export Credits; tel.: (202) 720-6211; fax: (202) 720-2949.

Export credit guarantee program information, such as risk-based fee schedules and country ratings, and commodities eligible for coverage, is available on the FAS Web site:

<http://www.fas.usda.gov/excredits/ecgp.asp>

FAS announcements of GSM-102 allocations are posted at:

<http://www.fas.usda.gov/excredits/exp-cred-guar.asp>

General information about FAS programs, resources, and services can be found at:

<http://www.fas.usda.gov>



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Eligible Commodities Under the GSM-102 Program

STANDARD PRODUCTS FOR GSM-102 Updated October 1, 2005

In accordance with the definition of "U.S. Agricultural commodity" appearing in Sections 1493.20(z)(1) and 1493.410(x)(1), the following agricultural commodities must be entirely produced in the United States:

Animal feed products, protein supplement of animal or vegetable origin (examples include distillers dried grain in the form of pellets and meal; compound feed; animal milk replacer and calf starter pre-mix; wheat middlings; soybean hull pellets; and poultry by-product meal).
Animal genetics (embryos and semen)
Antlers from elk, farm raised
Barley malt and barley malt extract
Breeder livestock (cattle, including dairy and beef; swine; sheep; goats; horses and donkeys)
Brine shrimp eggs, farm raised
Buckwheat and buckwheat products (bran, flour, grits and groats)
Cattle, feeder and slaughter
Corn products (flour, grits, flakes, starch, meal and gluten feed)
Cotton; cotton yarn, including heather yarn (maximum 1% polyester); cotton fabric, woven and knit, unbleached/bleached/dyed and/or printed; cotton products, including linters
Dairy products (butter, butter oil, ghee, and anhydrous milk fat; nonfat and whole milk powder; whey powder and protein concentrate; lactose; unsweetened condensed milk; fluid milk; and cheese including cheddar, gouda, mozzarella, cream, feta, muenster, Monterey Jack, blue, provolone, Swiss, cottage and processed American cheeses)
Eggs, table; egg products (egg yolks, egg albumen and whole eggs not-in shell)
Feed grains (barley, including malting barley; white and yellow corn; sorghum; and oats)
Fish and shellfish, whether fresh, chilled, frozen, canned, salted/dried or smoked (all species and products including roe, fish and sea urchin eggs, fish meal, and shrimp and fish aquaculture feed)
Fruit, fresh and dried (examples include apples, apricots, avocados, blueberries, cherries, clementines, dates, figs, grapefruit, grapes, kiwi, watermelon, cantaloupe, honeydew, nectarines, oranges, peaches, pears, plums, prunes, raisins, raspberries, strawberries, tangerines and mixtures thereof)

Fruit and vegetable concentrates, pastes, pulps and products
100% Fruit juice (examples include apple, apricot, cranberry, grape, grapefruit, orange, pear, raspberry and mixtures thereof)
Grain neutral spirits
Hay, whether cubes, bales, meal or pellets (including alfalfa, grass and mixtures; and straw, cereal and grass straw and husks)
Hides and skins (hides including cattle hides, wet blues are not covered; skins including calf/kip, pig, sheep and lamb splits)
Honey, with or without comb
Honeybees, live farm raised
Hops and hops extract
Lecithin
Meat, frozen or chilled (beef, poultry, pork, sheep and offals, including parts thereof, muscle meat and natural sausage casing)
Nursery products (Section II, Chapter 6, of the U.S. Customs Schedule B Export Codes, Harmonized System Code (HS) 0602200000 including trees, shrubs and bushes, grafted or not, of kinds which bear edible fruit or nuts; and/or HS 0602909010 including trees/shrubs, herbaceous perennials without soil attached to roots)
Nutritional beverage preparations for human consumption, made from vegetable fats and/or solids
Oilseeds (soybeans, sunflower, cotton and peanuts)
Peanut flour
Pet food, commercially produced (dog and cat)
Popcorn, bulk
Protein meal (soybeans, sunflower, cottonseed, peanut, corn gluten, meat and bone, feather, fish and blood)
Pulses (dry beans, peas and lentils)
Rice
Seeds, planting
Soybean protein products, processed (examples include flour, grits, protein concentrates and isolates)
Tallow; grease; lard; fat; blends thereof
Tree nuts (examples include almonds, pecans, pistachios, walnuts and hazelnuts)
Vegetable oil and byproducts (examples include fully refined soybean, sunflowerseed, cottonseed,

corn, peanut, blends of these oils and soapstocks)
Vegetables, canned, dried, fresh or frozen (examples include asparagus, beans, broccoli, carrots, cauliflower, celery, garlic, lettuce, mushrooms, onion, peas, peppers, potatoes, spinach, squash, sweet corn, tomatoes and mixtures thereof)
Wheat; wheat flour; semolina
Wine and brandy
Wood products, solid (lumber, veneer, panel products, utility poles, other poles and posts, and railroad ties)
Wood products, processed, miscellaneous (wood casks; discolored wood; picture and mirror frames; builder joinery, including doors, window, laminated and other fabricated structural members; dowels and dowel pins; pencil slats; and similar items)
Wood chips, wood pulp and similar minimally processed wood products (lyocell; chemical, mechanical, semichemical wood pulp—all of Section X, Chapter 47, of the U.S. Census Schedule B Export Codes, except Headings 4706.10 cotton linter pulp, 4707.10, 4707.20, 4707.30, 4707.90 recovered paper)
Wool; wool fabrics; wool yarn, including mohair
Worms for composting, farm raised

HIGH-VALUE AGRICULTURAL PRODUCTS FOR GSM-102

In accordance with the definition of "U.S. Agricultural commodity" appearing in Sections 1493.20(z)(2)(i)(ii) and 1493.410(x)(2)(i)(ii), the following agricultural products have been determined to be high-value agricultural products, and 90 percent or more of the agricultural components by weight, excluding packaging and added water, must be entirely produced in the United States:

Beer and distilled beverages (examples include vodka and whiskey)
Dairy products, processed (including nutritional beverage preparations for human consumption made from dairy fats and/or solids)
Fruit, canned or frozen (examples include apples, apricots, blackberries, blueberries, cherries, grapefruit, maraschino cherries, oranges, peaches, pears, plums, prunes, raspberries, strawberries and mixtures thereof)
Fishery products (surimi, processed from pollack or halibut)
Honey products comprised primarily of honey
Ice cream
Leather, tanned and processed, including wet blues
Meat products, processed (products from beef, pork, poultry, sheep, offals, and mixtures thereof. Products must be processed and/or preserved beyond simple cutting/slicing/grinding/rolling/skewering. Processing includes, but is not limited to, canning/cooking/curing/brining/salting/

pickling/smoking. Examples include bacon, deli-sandwich cuts, frankfurters, salami and sausage)
Mixes and dough, frozen, refrigerated or powdered (examples include mixes and dough for bread, pizza and cake donuts)
Pickles, condiments and sauces (examples include pickled cucumbers and other pickled vegetables; relish; ketchup; mustard; mayonnaise; hot, salsa, barbecue and pasta sauces; sandwich spreads, including peanut butter)
Prepared foods, frozen (examples include dinners, entrees and side dishes)
Prepared foods, shelf stable (examples include canned pasta or chili; dry pasta and noodles; combinations of pre-measured ingredients such as macaroni with packets of cheese sauce; soups and broth; and breakfast cereals)
Snack foods packaged for retail or institutional markets (examples include bread and potato sticks; chips, including bagel, corn, fruit, potato, and multi-grain; meat snacks; microwaveable or ready-to-eat popcorn; fruit snacks; onion rings; pork rinds; pretzels; rice cakes; snack crackers, including cracker sandwiches, packaged sets of cheese and crackers or cheese, lunch meat and crackers; snack nuts; and trail mix)
Soft drinks, fruit punches, milk-based drinks and other beverages, sweetened with corn syrup or fruit juice
Wood products, processed pulp products (Section X, Chapter 48, of the U.S. Census Schedule B Export Codes, Heading 4801—newsprint; Headings 4802-4805—uncoated printing and writing paper and paperboard; tissues and tissue stock; kraft linerboard, sack paper and wrapping paper; bibulous and codenser paper, and sulfite wrapping paper; and draft corrugated medium)

Program Contact: Director, Credit Programs Division; Office of Trade Programs, Foreign Agricultural Service, USDA; Stop 1025; 1400 Independence Avenue, SW; Washington, DC 20250-1025; TEL (202) 720-6211; FAX (202) 720-2495; E-MAIL askec@fas.usda.gov